

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-25 ISO-00 NEA-14 AGR-20 AID-20 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 XMB-07

OPIC-12 SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 FSE-00

ABF-01 CU-04 OPR-02 A-01 NSC-07 SS-20 STR-08 CEA-02

PRS-01 PA-04 USIA-15 IO-14 EA-11 DRC-01 /227 W

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R 141304Z MAY 74

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 4090

INFO AMCONSUL ISTANBUL

AMCONSUL ADANA

AMCONSUL IZMIR

USMISSION OECD PARIS

AMEMBASSY BONN

UNCLAS ANKARA 3694

E.O. 11652: N/A

TAGS: EFIN TU

SUBJ: NEW RATE OF TURKISH LIRA AND DOLLAR

REF: ANKARA 7013, SEPT 5, 1973

1. TURKISH CENTRAL BANK ON EVENING MAY 13 ANNOUNCED
CHANGE IN PARITY OF TURKISH LIRA WITH RESPECT TO US DOLLAR
ONLY. NEW RATE OF TL 13.50 EQUALS US \$1.00 REPRESENTS
RELATIVE REVALUATION OF TURKISH LIRA OF 3.5 PERCENT FROM
PREVIOUS RATE OF 14 TO 1. RATE WITH RESPECT OTHER CURRENCIES
UNCHANGED.

2. IN SEPARATE STATEMENT TO PRESS MINISTRY OF FINANCE SIAD
STEP WAS TAKEN BECAUSE OF CONTINUING DECLINE OF VALUE OF
US DOLLAR. SAID STEP WOULD ENTAIL DECLINE OF 3.5 PERCENT
IN COST OF IMPORTS (I.E. THOSE FOR WHICH PAYMENT IS MADE
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IN DOLLARS) AND BECUASE OF STEPS TAKEN SEVERAL MONTHS AGO

TURKEY WOULD NOT SUFFER LOSS ON EXPORTS.

3. EMBASSY COMMENT:

A. ADJUSTMENT OF RATE FOR DOLLAR WAS MADE BECAUSE OF DECLINE OF VALUE OF DOLLAR IN RELATION TO OTHER CURRENCIES WHICH FLOAT ON INTERNATIONAL MARKET WHEREAS GOT MAINTAINS SYSTEM OF FIXED EXCHANGE RATES FOR MAJOR CURRENCIES. CROSS RATE FOR US DOLLAR AND DEUTSCHMARK UNDER PARITIES FIXED BY GOT UNTIL THIS WEEK WAS US \$1.00 EQUALS DM 2.66 WHEREAS DOLLAR RECENTLY SLIPPED TO DM 2.40 ON EUROPEAN MARKETS, A DIFFERENCE OF 10 PERCENT FROM TURKISH CROSS RATE. WITH NEW RATE FOR DOLLAR GOT POLICY FOR TIME BEING MAY BE TO HOLD THIS DISPARITY WITHIN SOME "REASONABLE" MARGIN WITH ALLOWANCE FOR FURTHER FLUCUATIONS. WITH ITS SYSTEM OF FIXED EXCHANGE RATES, GOT WISHES TO AVOID FREQUENT ADJUSTMENTS OF TL RATE FOLLOWING SHIFT OF FLOATING RATES, IN OTHER MARKETS.

B. LAST FALL GOT AUTHORIZED CENTRAL BANK OR IN CASE OF DOLLAR MINISTRY OF FIN TO ADJUST EXCHANGE RATES WHEN NECESSARY (IN LIEU OF PREVIOUS CUMBERSOME PROCEDURES WHICH REQUIRED APPROVAL OF MINISTERIAL DECREE). IMPACT ON EARNINGS IN TURKISH LIRA OF FIRMS EXPORTING AGAINST DOLLAR CONTRACTS WILL BE LESSENED. SEVERAL MONTHS AGO GOT OFFERED FORM OF EXCHANGE RATE GUARANTEE TO EXPORTERS. THAT IS PAYMENT IN TURKISH LIRA TO EXPORTERS WOULD BE AT RATE PREVAILING ON DAY THAT EXPORT CONTRACT WAS REGISTERED IF EXPORTS WERE MADE WITHIN 45 DAYS.

C. REVALUATION WITH RELATION TO US DOLLAR WOULD MAKE DOLLAR IMPORTS CHEAPER IN TURKISH CURRENCY. THIS SHULD HAVE SOME BENEFICIAL EFFECT ON COST OF LIVING WHICH HAS BEEN RISING SHARPLY IN RECENT YEARS AND EXPECTED BY MANY TO INCREASE BY 30 PERCENT THIS YEAR. (30 PERCENT OF TURKISH IMPORTS ARE NOW IN DOLLAR CONTRACTS) ON OTHER HAND IF TURKEY EVENTUALLY DEVALUES LIRA WITH RESPECT DEUTSCHMARK IT WOULD HAVE INFLATIONARY UNCLASSIFIED

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IMPACT. GERMANY IS TURKEY'S LARGEST TRADING PARTNER, ACCOUNTING FOR ROUGHLY ONE FIFTH OF BOTH TURKEY'S IMPORTS AND ITS EXPORTS AND IS SOURCE OF GREATER PART OF LARGE INFLOW OF WORKER REMITTANCES. (SENIOR TURKISH CENTRAL BANK OFFICIAL TOLD EMBASSY OFFICER THAT CURRENT SITUATION ARISES ALMOST ENTIRELY OUT OF PRESSURE ON US DOLLAR).
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, CENTRAL BANK, PARITY CONVERSION, LIRA, FOREIGN EXCHANGE RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 14 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ANKARA03694
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740118-0331
From: ANKARA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740551/aaaabsxl.tel
Line Count: 115
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: ANKARA 7013, SEPT 5, 1973
Review Action: RELEASED, APPROVED
Review Authority: martinjw
Review Comment: n/a
Review Content Flags:
Review Date: 24 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 OCT 2002 by MorefiRH>; APPROVED <06 JAN 2003 by martinjw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NEW RATE OF TURKISH LIRA AND DOLLAR
TAGS: EFIN, TU
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005